

Message Text

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ACTION ARA-14

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INFO AMEMBASSY MOSCOW

AMEMBASSY TOKYO

AMCONSUL OSAKA KOBE

USDOC WASHDC

C O N F I D E N T I A L HAVANA 1758

EO 11652: GDS

TAGS: EFIN CU JA

SUBJ: ANOTHER JAPANESE LOAN FOR CUBA

REF: A. HAVANA 459; B. OSAKA KOBE 175

1. JUVENTUD REBELDE, JUNE 25, REPORTS THAT SEVEN JAPANESE BANKS AND SIX INSURANCE COMPANIES, HEADED BY SUMITOMO TRUST AND BANKING, HAVE GRANTED CUBA A CREDIT OF SOME 23 MILLION DOLLARS (5 BILLION YEN). TERMS REPORTED BY CUBANS ARE TEN YEAR REPAYMENT PERIOD (THERE IS NO INDICATION OF WHETHER THIS INCLUDES GRACE PERIOD), WITH ANNUAL INTEREST REPORTED AS ONLY 7.1 PERCENT. (MANAGEMENT FEE IS NOT INDICATED.) THIS LOAN IS IN ADDITION TO THE 41 MILLION, 600 THOUSAND DOLLAR (10 BILLION YEN) LOAN PROVIDED BY A TWENTY-FOUR BANK JAPANESE GROUP IN FEBRUARY. ACCORDING TO REFTELS, TERMS OF LATTER LOAN ARE THREE YEARS GRACE PERIOD, SEVEN YEARS REPAYMENT, WITH ANNUAL INTEREST AT 8.5 PERCENT.

2. AS INDICATED IN REF B, SUMITOMO LED GROUP THAT PROVIDED CUBA WITH TEN BILLION YEN LOAN IN OCTOBER 1976. ACCORDING
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TO REF B, 1976 LOAN HAD THREE YEAR GRACE PERIOD. JUVENTUD REBELDE, JUNE 25, STATES THAT REPAYMENT PERIOD FOR 1976 LOAN WAS FIVE TO SEVEN YEARS.

3. IN ADDITION TO THE TWO JAPANESE LOANS, CUBANS IN DECEMBER 1977 REPORTEDLY RECEIVED THREE YEAR DM 50 MILLION (24 MILLION DOLLARS) CREDIT FROM DEUTSCHE GENOSSENSCHAFT BANK (DG BANK).

INTEREST RATE WAS REPORTEDLY EXPENSIVE 1 3/4 PERCENT OVER LIBOR. THOUGH LOAN WAS REPORTEDLY BANK-TO-BANK, REPORTED PRESENCE OF MANAGEMENT FEE OF 3/4 PERCENT SUGGESTS PARTICIPATION BY OTHER BANKS (SEE LONDON 7695).

4. BEGIN COMMENT: THUS, AFTER ABSENCE FROM MEDIUM-TERM FINANCIAL MARKETS FOR ABOUT A YEAR (AFTER 25 MILLION SWISS FRANC LOAN EXECUTED IN DECEMBER 1976, CUBANS IN FIRST HALF OF THIS YEAR HAVE ALREADY ACCUMULATED SOME 88 MILLION DOLLARS OF NEW CREDITS. NOT COUNTING WHATEVER AMOUNT IS HIDDEN, DESPITE DENIALS TO CONTRARY, IN NEW 500 MILLION DOLLAR INTERNATIONAL INVESTMENT BANK DRAWING - SEE MOSCOW 14465.) BANCO NACIONAL DE CUBA OFFICIALS HAVE CLAIMED TOUS (APPARENTLY FALSELY AT LEAST WITH REGARD TO JAPAN) THAT THEIR STRATEGY AFTER TERMINATION OF LAZARD FRERES SYNDICATION EFFORT HAS BEEN TO SEEK SMALLER AMOUNTS OF FINANCING FROM INDIVIDUAL BANKS IN ORDER TO REDUCE INTEREST AND MANAGEMENT FEES. (THEIR ARGUMENT ON INTEREST RATES IS THAT SMALL DRAWINGS WILL FOCUS LESS ATTENTION ON CUBA AND, THEREFORE, NOT CONTRIBUTE TO UPWARD PRESSURE ON INTEREST RATES. THE CUBAN BANKERS HAVE CLAIMED, INCIDENTALLY, THAT LAZARD FRERES OFFERING FELL THROUGH BECAUSE CUBANS BELIEVED PROPOSED INTEREST RATES WERE EXCESSIVE.) IF INTEREST RATE OF NEW JAPANESE SYNDICATION IS REALLY ONLY 7.1 PERCENT, CUBANS WOULD SEEM TO HAVE ACHIEVED THEIR OBJECTIVES ADMIRABLY. WE, HOWEVER, FIND IT DIFFICULT TO BELIEVE THAT INTEREST CHARGE IS AS LOW AS

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INDICATED.

5. APPARENT JAPANESE GOVERNMENT INABILITY OR UNWILLINGNESS TO DETER COMMERCIAL BANKS FROM PROVIDING LOANS TO CUBA COMBINED WITH SEDUCTIVENESS OF CUBAN OFFER TO CONSIDER PURCHASE OF 200 MILLION DOLLARS WORTH OF JAPANESE GOODS IN 1978 (SEE REF A), MAY HAVE PRODUCED SITUATION IN WHICH AFRICA-INDUCED CONCERN OVER CUBA'S FUTURE WAS OUTWIEGHEDED BY JAPANESE DOMESTIC ECONOMIC CONSIDERATIONS. (EMBASSY TOKYO'S COMMENTS ON THIS WOULD BE WELCOME.) IN ANY EVENT, WILLINGNESS OF JAPANESE BANKS TO PROVIDE FINANCING TO CUBANS ON SEEMINGLY PREFERENTIAL TERMS WILL MAKE US JAWBONING ON AFRICA SEEM RATHER INEFFECTIVE IN EYES OF CUBANS. END COMMENT.

GLASSMAN

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